



THE ROYAL BANK OF CANADA

NOTICE OF THE ANNUAL AND SPECIAL MEETING OF HOLDERS OF COMMON SHARES AND OF THE SPECIAL MEETING OF HOLDERS OF FIRST PREFERRED SHARES AND MANAGEMENT PROXY CIRCULAR

December 5, 1989



**THE ROYAL BANK
OF CANADA**

Notice of the Annual and Special Meeting of Holders of Common Shares and of the Special Meeting of Holders of First Preferred Shares

To the Holders of:

- Common Shares**
- First Preferred Shares (Series A, B, C, D, E, F and G)**

NOTICE IS HEREBY GIVEN THAT the Annual and Special Meeting of Holders of Common Shares of The Royal Bank of Canada and the Special Meeting of Holders of First Preferred Shares of The Royal Bank of Canada will be held in Le Grand Salon, The Queen Elizabeth Hotel, 900 René-Lévesque Boulevard West, Montreal, Quebec, Canada, on Thursday, the 11th day of January 1990 at 10:30 o'clock in the forenoon for:

A. The following purposes with respect to the holders of Common Shares:

- (1) to receive the Financial Statements of the Bank for the year ended October 31, 1989, and the Auditors' Report thereon;
- (2) to elect Directors;
- (3) to appoint Auditors as indicated under the heading "Appointment of Auditors" in the accompanying Management Proxy Circular;
- (4) to fix the Auditors' remuneration;
- (5) to consider, and if thought fit, pass a Special Resolution confirming the amendment to Section 1.1 of By-Law Two increasing the maximum aggregate remuneration payable to directors of the Bank, the full text of the Special Resolution being reproduced under the heading "Amendment to By-Laws — Remuneration of Directors" in the accompanying Management Proxy Circular;
- (6) to consider, and if thought fit, pass a Special Resolution with respect to the change of the name of the Bank to "Royal Bank of Canada" in the English form and "Banque Royale du Canada" in the French form, the full text of the Special Resolution being reproduced under the heading "Change of Name" in the accompanying Management Proxy Circular;
- (7) to consider, and if thought fit, pass a Special Resolution confirming Special By-Law A (1990) changing the authorized capital of the Bank and effecting a two-for-one stock split of the outstanding Common Shares of the Bank, the full text of the Special Resolution and Special By-Law A (1990) being reproduced under the heading "Changes to the Authorized Capital of the Bank and Two-for-One Stock Split of Outstanding Common Shares of the Bank" in the accompanying Management Proxy Circular; and

(8) to transact such other business as may properly be brought before the Annual and Special Meeting of Holders of Common Shares of the Bank.

- B. With respect to the holders of First Preferred Shares of the Bank, for the purpose of considering, and if thought fit, passing a Special Resolution to authorize the changes to the authorized capital of the Bank with respect to First Preferred Shares, the full text of the Special Resolution being reproduced under the heading "Changes to the Authorized Capital of the Bank and Two-for-One Stock Split of Outstanding Common Shares of the Bank" in the accompanying Management Proxy Circular, such holders of First Preferred Shares to vote thereon separately as a class.

Montreal, December 5, 1989

BY ORDER OF THE BOARD

J.E. LAWSON
Vice-President and Secretary

IMPORTANT

Holders of Common Shares of the Bank or holders of First Preferred Shares of the Bank who are unable to be present at the Annual and Special Meeting of Holders of Common Shares or at the Special Meeting of Holders of First Preferred Shares are requested to sign and return the appropriate enclosed Forms of Proxy in the envelope provided for that purpose. Proxies must be received at the Montreal office of Montreal Trust Company, the Transfer Agent, at least 48 hours prior to the meeting.

Management Proxy Circular

(As of December 5, 1989, except as otherwise provided)

SOLICITATION OF PROXIES

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF THE ROYAL BANK OF CANADA (THE "BANK") OF PROXIES FOR USE AT THE ANNUAL AND SPECIAL MEETING OF HOLDERS OF COMMON SHARES OF THE BANK AND THE SPECIAL MEETING OF HOLDERS OF FIRST PREFERRED SHARES OF THE BANK TO BE HELD ON THE 11TH DAY OF JANUARY 1990 AT THE PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT PROXY CIRCULAR. The cost of solicitation will be borne by the Bank. The solicitation will be primarily by mail. However, the directors, officers and regular employees of the Bank may also solicit proxies by telephone, telegram or in person.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On November 7, 1989, the Bank had outstanding 143,337,360 Common Shares and 37,540,180 First Preferred Shares and no outstanding Second Preferred Shares. Subject to the provisions of the Bank Act, holders of Common Shares as at the record date of November 24, 1989 are entitled to one vote for each such share held and holders of First Preferred Shares as at the record date of November 24, 1989 are entitled, on the matter to be voted on by such shareholders as a class, to one vote in respect of each \$1.00 of issue price of First Preferred Share held on such date.

Shareholders who acquire their shares subsequent to November 24, 1989 may acquire voting rights provided they request the Bank not later than 10 days before the meeting to add their name to the voters' list.

To the knowledge of the directors and officers of the Bank, no person on November 7, 1989 owned or exercised control or direction over more than 10% of the outstanding Common Shares of the Bank and no person on November 7, 1989 owned or exercised control or direction over First Preferred Shares of the Bank carrying more than 10% of the votes attaching to the outstanding First Preferred Shares of the Bank.

VOTING RESTRICTIONS

Under the provisions of the Bank Act, the voting rights pertaining to a share of the capital stock of the Bank may not be exercised if:

- (a) the shareholder is a resident of Canada who holds the share in the right of or for the use or benefit of a non-resident, other than a non-resident who is a United States resident;
- (b) the shareholder holds the share in the name or right of, or for the use or benefit of, the government of Canada or of a province, or an agent thereof (including an official, trustee or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund), or the government of a foreign state or political subdivision, or an agent thereof;
- (c) the share is held in the name or right of, or for the use or benefit of, a person and the total number of shares held by or for that person, or that person and other persons deemed to be associated with him, exceeds 10% of the outstanding shares of the Bank (a holder of 5,000 shares or less is assumed not to be associated with any other shareholder); or
- (d) the share is held by or on behalf of a guarantee fund or pension fund to which a bank or a Quebec savings bank is a contributor.

In certain cases, voting rights may be exercised notwithstanding the restrictions referred to above.

The foregoing is a summary only. A copy of the relevant sections of the Bank Act will be forwarded to any shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

APPOINTMENTS AND REVOCATION OF PROXIES

The persons named in the enclosed Forms of Proxy are directors and officers of the Bank. **SHAREHOLDERS DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT THEM AT THE MEETING MAY DO SO** (see Note 3 on the Forms of Proxy), either by inserting such person's name in the blank space provided in the Forms of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy and, in either case, delivering the completed Proxy to Montreal Trust Company, the Transfer Agent of the Bank, at least 48 hours prior to the meeting.

A shareholder who signs and returns one or more of the enclosed Forms of Proxy may revoke them at any time before they are acted upon by depositing written notification at the Head Office of the Bank not later than the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting or an adjournment thereof.

VOTING SECRECY

Proxies are counted and tabulated by Montreal Trust Company, the Transfer Agent of the Bank, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to meet the requirements of applicable law.

EXERCISE OF DISCRETION BY PROXY

The shares represented by any Proxy in the forms enclosed herewith and appointing the persons designated thereon or any of them to represent the shareholder at the meeting will be voted in accordance with the specifications given by the shareholder. **IN THE ABSENCE OF ANY CONTRARY INSTRUCTION, THE COMMON SHARES REPRESENTED BY PROXIES**

RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY BALLOT WHICH MAY BE HELD "FOR" THE ELECTION OF THE MANAGEMENT NOMINEES FOR DIRECTORS, "FOR" THE APPOINTMENT OF THE AUDITORS NAMED HEREIN, "FOR" THE FIXING OF THE REMUNERATION OF SUCH AUDITORS, "FOR" THE CONFIRMATION OF THE AMENDMENT TO SECTION 1.1 OF BY-LAW TWO INCREASING THE MAXIMUM AGGREGATE REMUNERATION OF DIRECTORS, "FOR" THE CHANGE OF NAME OF THE BANK, "FOR" THE CONFIRMATION OF SPECIAL BY-LAW A (1990) AND "FOR" THE MANAGEMENT PROPOSALS GENERALLY.

IN THE ABSENCE OF ANY CONTRARY INSTRUCTION, THE FIRST PREFERRED SHARES, REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY BALLOT WHICH MAY BE HELD "FOR" THE CHANGES TO THE AUTHORIZED CAPITAL OF THE BANK WITH RESPECT TO FIRST PREFERRED SHARES.

The enclosed Forms of Proxy confer discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting.

As at the date hereof, management is not aware that any other matter is to be presented for action at the Annual and Special Meeting of Holders of Common Shares. If, however, other matters properly come before such meeting, the persons designated in the enclosed Form of Proxy in respect of such meeting will vote thereon in accordance with their judgement pursuant to the discretionary authority conferred by such Proxy with respect to such matters.

Except as otherwise specified herein, a simple majority of the votes cast at a meeting, whether by Proxy or otherwise, will constitute approval of any matter submitted to a vote at the meeting.

ELECTION OF DIRECTORS

The Board of Directors consists of a minimum of 20 and a maximum of 50 directors, who are required to be elected annually. The persons named on the appropriate enclosed Form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now directors. Each director will be elected to hold office until the next Annual Meeting of Common Shareholders or until such office is earlier vacated.

The Board of Directors does not have an executive committee. **Directors who are members of the audit committee are so designated.** The undernoted table sets forth the names of the persons proposed to be nominated for election as directors together with their principal occupation, the year in which they became directors of the Bank and the number of shares beneficially

owned, directly or indirectly, or over which control or direction was exercised on November 7, 1989.

Additionally, as required by the Bank Act, set out below is a summary of the record of attendance by directors at Board, Committees of the Board and Regional Director Committee meetings during the 12 months ended October 31, 1989. During this period, 15 Board meetings were held: Montreal (9), Toronto (4), New York (1), St. John's, Newfoundland (1). Committees of the Board held meetings as follows: Audit (8), International Strategic Issues (4), Loan Policy (23), Nominating (4), Personnel & Compensation (3), Public Policy (3). Regional Director Committees held meetings as follows: Atlantic (9), Quebec (7), Ontario (9), Manitoba (12), Saskatchewan (10), Alberta (9), British Columbia (12), New York (12), London, England (10).

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Ian A. Barclay Associate McQuaid & Associates Consulting Ltd. (Corporate mergers, acquisitions, divestitures & related services) (Member Audit Committee)	Vancouver, B.C.	April 3, 1973	7,075	—	14	21
George H. Blumenauer Chairman of the Board Otis Canada, Inc. (Manufacturers of elevators)	Oakville, Ontario	Dec. 2, 1969	4,700	—	14	28
Robert W. Campbell Retired Chairman Canadian Pacific Limited (Oil & gas, mining, forest products and transportation)	Calgary, Alberta	March 6, 1984	300	—	12	9
Robert M. Chipman Chairman The McGill-Stephenson Company Limited (Automotive/Real estate)	Winnipeg, Manitoba	May 5, 1986	3,803	—	12	16
John E. Cleghorn † President The Royal Bank of Canada (Director, National Mutual Royal Bank Limited)	Montreal, Quebec	Nov. 3, 1987	5,037	—	15	34

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Ronald L. Cliff, C.M., C.A. Chairman B.C. Gas Inc. (Energy company) (Member Audit Committee)	Vancouver, B.C.	April 7, 1987	31,352	—	15	18
George A. Cohon, C.M., B.Sc., J.D. Chairman, President and Chief Executive Officer McDonald's Restaurants of Canada Limited (Quick service restaurants)	Toronto, Ontario	June 1, 1988	1,000	—	13	10
Frank B. Common, Jr., Q.C. Counsel Ogilvy Renault (Barristers & Solicitors) (Director, RoyLease Limited)	Montreal, Quebec	March 19, 1974	6,186	—	14	8
Camille A. Dagenais, C.C., LL.D. Director The SNC Group (Engineers & constructors)	Montreal, Quebec	April 11, 1978	2,190	—	13	27
Jean-Claude Delorme, O.C., Q.C., O.N.Q. President and Chief Executive Officer Telelobe Canada Inc. (Telecommunication services)	Montreal, Quebec	Feb. 2, 1988	—	—	12	9
Mitzi S. Dobrin, C.M. Chairman & Chief Executive Officer DBRN Holdings Ltd. (Investment company)	Montreal, Quebec	Nov. 30, 1976	2,388	—	15	25
G. Campbell Eaton, O.C., M.C., C.D., LL.D. President Dublin Ltd. (Personal company)	St. John's, Newfound- land	Sept. 9, 1976	4,765	500 (1st B)	13	15
John R. Evans, C.C., M.D. Chairman Allelix Inc. (Biotechnology) (Member Audit Committee)	Mississauga, Ontario	March 6, 1984	1,500	—	14	12
Jock K. Finlayson Chairman Royal Insurance Company of Canada (Insurance)	Montreal, Quebec	April 7, 1970	4,703	—	14	7
Rowland C. Frazee, O.C. Retired Chairman The Royal Bank of Canada	Montreal, Quebec	Feb. 28, 1973	10,002	—	14	6

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Arden R. Haynes Chairman and Chief Executive Officer Imperial Oil Limited (Integrated petroleum company)	Toronto, Ontario	June 11, 1985	244	—	11	6
Lorne F.J. Hehn Chairman, President and Chief Executive Officer United Grain Growers Limited (Handling, storing and processing of grain) (Held executive positions with this company during past five years)	Winnipeg, Manitoba	June 13, 1989	—	—	6	5
Charles H. Knight Chief Executive Officer Denro Holdings Ltd. (Land development)	Regina, Sask.	Feb. 1, 1983	1,000	—	15	14
Walter F. Light, O.C., O.Ont. Retired Chairman Northern Telecom Limited (Manufacturers of telephone equipment, wire & cable) (Member Audit Committee)	Toronto, Ontario	July 11, 1978	5,500	—	13	12
The Hon. E. Peter Loughheed, P.C., C.C., Q.C. Senior Partner Bennett Jones Verchere (Barristers & Solicitors)	Calgary, Alberta	Feb. 4, 1986	200	—	12	8
Clifford S. Malone Vice-Chairman United Corporations Limited (Investments) (Director, RoyLease Limited)	Toronto, Ontario	May 20, 1975	2,500	—	15	14
Alexander B. Marshall Chairman Commercial Union Assurance Company plc (Insurance company) (Director, The Royal Bank of Canada Holdings (U.K.) Limited) (Member Audit Committee)	London, England	Oct., 1, 1985	—	—	12	22
J. Pierre Maurer Retired Vice-Chairman of the Board Metropolitan Life Insurance Company (New York) (Life insurance company) (Member Audit Committee)	New York, N.Y.	April 23, 1975	8,161	—	15	22

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
G. Wallace F. McCain President McCain Foods Limited (Frozen foods)	Florenceville, N.B.	Sept. 3, 1986	9,800	—	8	3
Dawn R. McKeag President Walford Investments Ltd. (Holding company)	Winnipeg, Manitoba	Mar. 1, 1978	6,000	200 (1st B)	14	30
W. Earle McLaughlin Former Chairman of the Board The Royal Bank of Canada	Montreal, Quebec	Dec. 19, 1960	12,326	—	11	26
Allan H. Michell † Vice-Chairman The Royal Bank of Canada	Montreal, Quebec	June 1, 1986	8,047	—	15	19
J. William E. Mingo, Q.C. Barrister Stewart MacKeen & Covert (Barristers & Solicitors)	Halifax, N.S.	April 5, 1983	6,150	—	14	30
J. Edward Newall Chairman and Chief Executive Officer Du Pont Canada Inc. (Chemicals)	Mississauga, Ontario	Sept. 5, 1984	1,070	—	10	5
Ralph A. Pfeiffer, Jr. Retired Chairman & Chief Executive Officer IBM World Trade Corp. (Technology)	Greenwich, Connecticut	June 12, 1984	300	—	13	15
Neil F. Phillips, Q.C. Resident Senior Counsel Goodman Freeman Phillips & Vineberg (Barristers & Solicitors)	New York, N.Y.	Feb. 1, 1972	9,000	—	15	14
Herbert C. Pinder President Saskatoon Trading Company Limited (Property holding company)	Saskatoon, Sask.	June 5, 1970	4,540	—	14	30
Claude Pratte, Q.C. Counsel Stein, Monast, Pratte & Marseille (Barristers & Solicitors)	Quebec, Quebec	May 9, 1967	6,186	—	13	4
Charles I. Rathgeb Chairman Comstock Canada (Construction & mechanical equipment)	Scarborough, Ontario	Dec. 1, 1970	25,000	—	13	10

Name & Principal Occupation	Address	Director Since	Shares of the Bank Beneficially Owned*		No. of Meetings Attended	
			Common	Pref'd	Board	Committees
Kenneth C. Rowe, F.C.I.S. Chairman, President and Chief Executive Officer I.M.P. Group Limited (Aerospace marine products & manufacturing)	Halifax, N.S.	Nov. 5, 1985	171,000	—	13	10
Robert T. Stewart Chairman, President and Chief Executive Officer Scott Paper Limited (Canadian manufacturers of sanitary & convenience paper products)	Vancouver, B.C.	April 5, 1988	200	—	14	14
Allan R. Taylor † Chairman & Chief Executive Officer The Royal Bank of Canada	Toronto, Ontario	June 7, 1983	14,753	—	15	44
John A. Tory, Q.C. Deputy Chairman The Thomson Corporation (Publishing and holding company) (Member Audit Committee)	Toronto, Ontario	Mar. 10, 1971	14,482	—	11	14
William P. Wilder Company Director	Toronto, Ontario	Sept. 9, 1980	10,000	—	13	27

* Includes shares over which control or direction was exercised as of November 7, 1989 by the person named even in those cases when beneficial ownership of some or all of the shares is disclaimed.

† See the Phantom Plan described under "Long Term Performance and Investment Plan" on Page 11.

Directors during fiscal 1989 who are not standing for re-election on January 11, 1990 attended meetings as follows:

	Board	Committee
Peter L.P. Macdonnell, C.M., Q.C.	10	8

DIRECTORS' AND OFFICERS' REMUNERATION

During the fiscal year ended October 31, 1989, the aggregate remuneration paid by the Bank and its subsidiaries to its directors and officers was as shown in the table below. Directors are compensated as follows: (i) annual retainer of \$10,000, which retainer was increased during the year by resolution of the Board of Directors effective as of February 1, 1989 to \$14,000; (ii) each Board meeting attended - \$750; (iii) each Board Committee meeting attended - \$500; (iv) Loan Policy Committee \$250 per meeting plus an annual retainer of \$2,500; and (v) Committee chairpersons receive an additional annual retainer of \$1,000. Directors are reimbursed for transportation and other expenses incurred for attendance at Board and Committee meetings.

It is proposed that, subject to the confirmation by the holders of Common Shares of the Bank of the amendment to Section 1.1 of By-Law Two of the By-Laws of the Bank increasing the aggregate remuneration for directors to \$1,650,000, the following revised schedule of fees take effect as of November 1, 1989: (i) annual retainer — \$16,000; (ii) each Board meeting attended — \$750; (iii) each Board Committee meeting attended — \$700; (iv) each Regional Committee meeting attended — \$700; (v) Loan Policy Committee \$350 per meeting plus an annual retainer of \$2,500; and (vi) Committee chairpersons (excluding Regional Committees) — to receive an additional retainer of \$2,000.

	Directors' Fees	Salaries	Other (Note 1)	Total
Remuneration of Directors				
A) No. of Directors: 40				
B) Corporation incurring the expense				
The Royal Bank of Canada	\$1,111,578			\$1,111,578
Finance Corporation of Bahamas Limited	8,496			8,496
The Royal Bank of Canada (Barbados) Limited	2,950			2,950
The Royal Bank of Canada (Bahamas) Limited	4,248			4,248
R.B.C. (Holdings) Limited	2,360			2,360
RoyLease Limited	6,000			6,000
The Royal Bank of Canada Holdings (U.K.) Limited	4,136			4,136
Remuneration of Officers				
A) No. of Officers: 218 (including retirees during year)				
B) Corporation incurring the expense				
The Royal Bank of Canada	51,168	22,028,716	2,119,406	24,199,290
Totals	\$1,190,936	\$22,028,716	\$2,119,406	\$25,339,058

Note 1 — Aggregate value of the compensation shown does not exceed the lesser of \$25,000 times the number of persons in the group, or 10% of the aggregate salaries stated above. Figure consists of benefits other than salary to officers on transfer to national and international locations (\$1,364,581) as well as the Bank's contributions on behalf of officers to the Employee Savings Plan (\$754,824). There were no non-accountable expense allowances.

LONG TERM PERFORMANCE AND INVESTMENT PLAN

Currently, 168 officers are voluntary participants in this Plan whereunder the Bank makes loans to eligible officers in amounts determined by the Personnel and Compensation Committee of the Board of Directors, which amounts are used exclusively to purchase Common Shares of the Bank at then applicable market prices. These loans are subject to reduction by the amounts of performance awards made to participants after three years on targets determined at the beginning of each three-year performance period based on projected three-year compound growth in the book value of Common Shares and the Bank's return on equity in the third year of the performance period. In the event of retirement after age 55 and 10 years of continuous service, the balance, if any, of any loan outstanding at the end of the last performance period in which the retirement occurs, after application of any performance award and the proceeds from the disposition of the shares, is forgiven.

A Phantom Plan corresponding in its terms to the captioned Plan is in place for those officers who are directors of the Bank. Loans are not made and shares are not purchased but at the end of each three-year performance period calculation is made as if loans had been made and the shares purchased and disposed of at the end of each performance period with the same effect as under the Plan. The numbers of equivalent shares deriving from the participation of the following officers of the Bank in the Phantom Plan as of October 31, 1989, were as follows:

<u>Name of Officer</u>	<u>Equivalent Shares</u>
A.R. Taylor	18,834
A.H. Michell	6,708
J.E. Cleghorn	4,938

Performance awards made in January 1989 pertaining to the three-year performance period ended October 31, 1988, including amounts determined for Phantom Plan participants, amounted to \$43,217. The aggregate amount of such awards to be made subsequent to October 31, 1989 pertaining to the performance period ended October 31, 1989 is estimated to be \$2,500,000.

INCENTIVE PLAN

Incentive bonuses based on individual performances and the general financial performance of the Bank in relation to targets for net income, return on assets, non-interest expense and other income in each fiscal year are paid following the end of the fiscal year to officers and management employees. The aggregate of such bonuses for the period ended October 31, 1988 in respect of officers was \$8,049,370. The aggregate of such bonuses to be paid to officers subsequent to October 31, 1989 pertaining to the fiscal year then ended has not yet been determined but is estimated to be \$8,200,000.

AUTOMOBILE PLAN

Officers are eligible to participate in a leased automobile program for business and personal use. Rental, maintenance and operational costs are for account of the Bank. Costs attributable to this Plan in the last fiscal year are estimated at \$1,894,000.

STAFF LOAN PLAN

Eligible employees are permitted to borrow from the Bank, within certain prescribed limits and subject to the normal credit granting criteria applied to regular customer loans, at varying staff interest rates for purchases of or improvements to residential properties, investments in shares of the Bank, purchases of durable consumer goods or for certain other personal use purposes. Deemed taxable benefits arising from all loans outstanding to officers in the last fiscal year pursuant to Section 80.4 of the Income Tax Act (Canada) are estimated at \$1,541,000.

TERMINATION OF EMPLOYMENT (Retirement)

Pension and retirement allowance plans are in effect to provide certain senior officers on retirement with annual retirement income of up to 70% of final average salary (assuming 35 years' pensionable service). Lump sum retirement allowance payments equal to 1% x years of service to December 31, 1986 x salary as at December 31, 1986 are also paid. The value of the foregoing compensation exceeds \$60,000.

INDEBTEDNESS OF DIRECTORS

Except as stated hereunder, none of the Bank's directors, or proposed nominees for election as directors, were indebted to the Bank or any of its subsidiaries during the year ended October 31, 1989 other than for such loans as are excluded from reporting by the form of proxy regulations

under the Bank Act and applicable Canadian securities laws. The undernoted are also senior officers or former senior officers of the Bank and as such received loans to assist in the acquisition of housing or Bank shares or for personal requirements and for participation in the Bank's Long Term Performance and Investment Plan.

Name & Address	Max. Indebtedness During Year Ended October 31, 1989	Balance O/S November 7, 1989	Interest Rate
J.E. Cleghorn, Montreal	626,264	619,779	0*, 2, 5, 6.25, 13.50%
J.K. Finlayson, Montreal	21,000	15,000	3%
A.H. Michell, Montreal	345,328	278,511	3, 6.25%
A.R. Taylor, Toronto	394,309	394,110	3%

* Rate applicable only to those loans granted relative to participation in the Long Term Performance and Investment Plan, prior to eligibility for the Phantom Plan.

INDEBTEDNESS OF OFFICERS

Loans granted under the Bank's Staff Loan Plan which are not within the definition of routine indebtedness set out in the proxy regulations under applicable Canadian securities laws amounted to an aggregate of \$24,904,589. Housing loans, secured by collateral mortgage and primarily related to Bank initiated transfers of officers to major metropolitan areas in Canada, the United States and the United Kingdom, included in the above aggregate totalled \$13,955,261 and are amortized over 20 or 25 years. The first \$50,000 of such housing loans is granted at 1% interest per annum, the balance at 4% per annum, for an initial 3-year period; in the fourth year the rates are 2% and 5% per annum respectively. Thereafter, these loans currently bear interest at rates between 3% and 6% per annum. Loans granted to assist with housing purchases not made in conjunction with Bank

initiated transfers bear interest at a minimum 6% rate per annum subject to review at the end of 5 years. Housing loans secured by mortgages not granted under the Bank's Staff Loan Plan which are not within the definition of routine indebtedness set out in the proxy regulations under applicable Canadian securities laws amounted to an aggregate of \$3,047,196. Such housing loans bear interest at the Bank's regular customer rates and vary depending on term. Currently the Bank's interest rates on mortgages to customers vary from 11.75% to 13.25% per annum. Loans other than for housing, including those made for short term bridging purposes, total \$5,395,678 and bear interest at rates between 3% per annum and Royal Bank Prime. There is an additional \$5,553,650 in interest free loans to purchase Common Shares of the Bank pursuant to the provisions of the Bank's Long Term Performance and Investment Plan.

Name & address	Maximum indebtedness during year ended October 31, 1989	Balance O/S November 7, 1989
N.C. Achen, Toronto	\$115,078	\$108,517
G.C. Aitken, Toronto	78,368	78,368
W.B. Aitkenhead, Kitchener	107,666	106,291
O.W. Allen, Toronto	159,321	115,021
J.D. Anderson, Toronto	188,093	182,731
G.C. Appleton, Toronto	205,873	201,231
R.L. Arsenault, Montreal	51,051	51,051
M.C.S. Baptista, Toronto	285,114	282,446
M.A. Bastian, Toronto	73,101	72,992
J.P. Beland, Montreal	60,062	58,463
D.A. Berardinucci, Montreal	318,229	315,645
G.R. Bernard, Quebec City	76,792	54,226
R.G. Bernard, Montreal	70,189	54,582
E. Bigsby, Montreal	11,385	11,385
T.W. Bleackley, Toronto	376,415	301,375
R. Bodt, Toronto	158,781	157,322
J.E. Bolduc, Montreal	148,957	148,794
J.E.Y. Bougard, Montreal	87,656	80,473
A.A. Bowbyes, Toronto	138,115	134,268
J.K. Breen, Toronto	161,109	158,340
J.P.W. Brewster, New York	246,965	243,469
G.R. Bright, Vancouver	275,881	275,200
H.G. Buckrell, Montreal	285,289	283,777
W.C. Bull, Montreal	192,778	187,276
J.T. Burnett, Toronto	299,163	267,411
L.M. Buth, Toronto	135,082	131,792
P.A. Case, Toronto	28,504	28,504
B.D. Champion, Toronto	29,596	29,596
R.S. Chang, Toronto	116,980	115,575
W.B. Cockburn, Toronto	152,905	150,821
C.S. Coffey, Winnipeg	26,961	26,961
M.A. Corlett, Toronto	305,521	304,147
L.J. Coulas, Toronto	202,167	160,000
C.J. Coveyduck, Halifax	100,066	84,831
A.R. Creasor, Calgary	197,585	191,538
D.R. Delamere, Toronto	265,101	212,315
G.A.A. Dickson, Toronto	37,286	33,515
W.R. Dinwoodie, Toronto	230,289	227,890
D.J. Dixon, Toronto	29,931	13,449
S.L. Donofrio, Montreal	234,250	219,914
D.W. Dougherty, Toronto	49,132	49,132
J. Driedger, Toronto	225,618	224,964
L.G. Edmonds, Regina	129,338	81,142
H.E. Elsie, Toronto	228,093	221,926
G.E. Farrow, Toronto	159,420	157,803
J.R.J. Fauvel, Montreal	155,635	154,366
G.J. Feeney, Montreal	331,264	331,264
E.D. Ferguson, Montreal	279,038	205,732
W.R. Fithern, Montreal	57,864	57,864
C.L. Fong, Calgary	30,142	30,142
L.C. Fraser, Toronto	147,435	155,455
R.C. French, Toronto	238,539	235,790
G.F. Gaffney, Vancouver	543,696	497,691
W.N. Galbraith, Montreal	183,509	189,314
D.C. Gale, Toronto	20,539	20,539
W.T. Gale, Saint John	39,556	33,688
B.C. Galloway, Toronto	100,149	71,638
J.J. Gannon, Montreal	182,965	169,868
G.M. Gartner, Vancouver	247,770	246,781
R. Gazard, Toronto	66,703	65,950
T.P. Gibbs, Hong Kong	116,022	36,809
L.K. Gieck, Calgary	27,873	27,873

Name & address	Maximum indebtedness during year ended October 31, 1989	Balance O/S November 7, 1989
W.H. Gilbert, Toronto	65,681	60,146
G. Gill, Toronto	268,072	267,402
G.D. Gillespie, New York	257,480	254,563
T.L. Gleason, Atlanta, GA	146,617	145,505
R.J. Goom, London, England	231,905	229,547
W.J. Gorman, Toronto	182,117	180,655
W.J. Grace, Toronto	174,198	172,603
J.C. Grant, Toronto	92,149	90,150
B.M. Gray, Montreal	175,214	172,419
R.B. Gray, Toronto	89,312	87,412
B.D. Gregson, Toronto	231,151	203,844
D.D.E. Grier, Toronto	173,616	170,127
P. Grierson, Toronto	190,587	188,516
B.P. Griffiths, Toronto	79,696	79,696
J.R. Groves, Toronto	187,919	184,093
J.A.R. Guay, Montreal	87,675	83,148
R.F. Gulliford, Toronto	94,501	94,499
R.G. Hall, Toronto	289,096	287,676
K.W. Harrison, Winnipeg	147,496	135,433
R.A.R. Haskins, Vancouver	159,729	158,114
G.R. Heckman, Toronto	33,240	33,240
J.E. Henry, Edmonton	201,904	179,615
A.J. Hogan, Toronto	211,706	211,409
A.E. Holder, Toronto	196,014	166,777
R.J.V. Howland, Toronto	202,045	190,982
H.A. Jacobsen, Nassau, Bahamas	65,946	64,872
G.J. Johnson, Toronto	348,791	345,927
R.M. Juneau, Toronto	138,775	136,297
M.R. Keller, Toronto	158,920	158,459
B.V. Kelly, Toronto	230,857	190,857
K.N. Kikano, London, England	85,745	77,351
D.N. Kitchen, Calgary	95,833	95,833
J.R. Klassen, Toronto	269,118	267,873
F.H.S. Lablans, Montreal	175,428	158,200
R.C.A. Lafontaine, Los Angeles, CA	249,367	241,089
J.Y. Lawrie, Tokyo, Japan	27,341	27,341
J.E. Lawson, Montreal	157,908	156,014
D.M. Leahey, Montreal	249,356	241,093
T.E. Leather, Montreal	235,257	267,061
B.F. Legg, Singapore	165,931	34,517
J.M. Lejeune, Montreal	36,992	36,992
J.E.D. Lepage, Montreal	306,612	305,868
K.A. Littlewood, Hato Rey, Puerto Rico	92,581	92,581
E.J. Lundy, Vancouver	217,336	213,588
C.H. Macoun, Toronto	63,858	62,652
F.G. MacDonald, Toronto	222,295	220,743
W.A.R. MacDonald, Montreal	146,050	123,808
I.A. MacKay, Toronto	259,444	256,900
J.K. MacKay, Toronto	221,570	216,401
A.S. MacNeill, Ottawa	68,440	55,433
C.D. Maloney, Bridgetown, Barbados	125,750	149,864
S.C. Marks, Toronto	230,251	229,119
B.C. Marshall, Montreal	227,676	227,026
R.A. Masleck, London, England	187,856	176,913
A.A. McArthur, Houston, Texas	56,250	54,031
W.J. McCartney, Montreal	130,944	127,478
E.R. McCutcheon, New York	95,125	92,969
T.R. McDermid, Toronto	264,811	238,813
V.G. McKay, Tokyo, Japan	89,306	78,611

Name & address	Maximum indebtedness during year ended October 31, 1989	Balance O/S November 7, 1989
G.A. McNish, Toronto	185,877	182,698
J. Merriam, Montreal	69,159	62,868
J.M. Messmer, Toronto	98,559	51,402
S.A. Middaugh, Halifax	116,965	89,845
A.A. Mills, Winnipeg	84,467	81,629
W.J. Mills, Toronto	39,153	38,071
M.A.R. Mimeault, Toronto	165,449	162,360
A. Mirreles, Toronto	24,946	24,946
W.T. Moodie, New York	62,150	62,150
K.J. Morrison, Toronto	178,816	176,158
F.M. Munsters, Toronto	199,975	198,025
J.J. Murphy, Winnipeg	138,000	137,820
W. Murray, Toronto	249,560	227,866
I. Muskat, Toronto	408,814	404,323
E.P. Neufeld, Toronto	117,004	103,021
P.A. Palmer, Toronto	222,042	215,262
R.R. Parker, Ottawa	300,163	294,525
S.W. Pasternak, Toronto	148,466	145,997
W.R. Penner, Vancouver	37,910	37,910
R.S. Pennycook, Montreal	223,214	222,317
H.I. Phillipps, Toronto	273,219	266,640
H.A. Philpott, Regina	29,972	29,972
G.H. Pickel, Montreal	34,696	34,696
J.H. Prenger, Toronto	182,499	180,193
J.N. Primeau, Tokyo, Japan	14,241	14,241
D.P. Pritchard, London, England	21,972	21,972
P.J. Rafuse, Toronto	61,031	58,336
J.T. Rager, Montreal	286,249	285,753
J.N.T. Rednall, Sao Paulo, Brazil	393,282	50,964
M.J. Regan, Toronto	178,931	178,931
R.H. Riviere, Toronto	323,545	321,044
D.L. Robertson, Toronto	253,679	227,171
M.J. Ross, New York	59,067	59,067
R.J. Sankey, Toronto	12,147	12,147

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has purchased at its expense group liability insurance in the amount of \$50,000,000 for its protection and for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Bank and its subsidiaries. During fiscal 1989, in respect of policy year from December 28, 1988 to December 28, 1989 the Bank paid a total premium of \$816,556 of which \$734,902 was for the Bank's protection; \$40,827 was in respect of the directors as a group and \$40,827 was in respect of the officers as a group. In any case in which the Bank is not permitted by law to reimburse the director or officer, no deductible applies. Where the Bank is permitted to reimburse the director or officer, the deductible is \$5,000,000.

Name & address	Maximum indebtedness during year ended October 31, 1989	Balance O/S November 7, 1989
G.A. Scammell, London, England	12,299	12,299
R.C. Schneider, Calgary	43,135	43,135
B. Schroder, Toronto	257,318	254,575
D.R. Seguin, Montreal	59,585	55,270
J.H. Shaw, Montreal	30,685	28,932
K.A. Smee, Toronto	73,324	72,996
R.F.M. Smith, Calgary	131,616	130,023
R.L. Spicer, Montreal	49,345	48,743
W.D. Squires, Calgary	115,993	80,244
R.E. Stanley, Toronto	279,668	276,085
E.G. Stone, Toronto	224,463	201,329
R.J. Sutherland, Halifax	226,660	224,111
J.K. Talbot, Toronto	209,319	203,851
G.G. Tallman, Montreal	261,125	259,174
G.P. Tatrallyay, New York	249,124	248,220
P.A. Taylor, Toronto	350,023	315,734
R. Thomas, Montreal	69,216	65,625
A.J. Thomson, Montreal	19,724	19,724
A.L. Tower, Calgary	85,027	60,325
R.E. Travis, Toronto	124,002	122,643
P.H. Tucker, Montreal	226,172	216,493
M.L. Turcotte, Montreal	148,401	130,894
A.G. van Schalkwyk, Toronto	28,216	28,216
K.A. von dem Hagen, Toronto	137,217	134,955
D.G. Waddingham, Calgary	40,521	40,521
J.A.S. Walker, Ottawa	189,973	188,843
J.M. Walker, New York	417,606	417,606
D.S. Walters, St. John's	128,106	122,726
J.C. Walz, Toronto	199,407	46,585
A.A. Webb, Montreal	314,600	314,521
D.S. Wells, Montreal	117,426	117,273
M. Werner, Montreal	122,748	92,735
J.A. Williams, Tokyo, Japan	67,586	60,264
R.D. Williamson, Chicago, Ill.	245,381	79,419

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Since the commencement of the Bank's last completed financial year, the Bank has not entered into any transaction with any present, contemplated or proposed director or with any proposed management nominee for election as a director or with any officer or any associate of or any corporation controlled by any such director or officer, nor does it propose to enter into any such transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

LEGAL PROCEEDINGS

The Bank continued to be subject to various lawsuits challenging certain of its practices or actions. About half of these suits are loan-related. That is, they are suits or countersuits brought in reaction to steps the Bank has taken to collect delinquent loans and enforce rights it has in collateral securing such loans. As at November 7, 1989 the aggregate liability which could result from all these suits, however, was not considered material.

APPOINTMENT OF AUDITORS

The Bank Act requires the holders of Common Shares of the Bank to appoint two firms of accountants to be the Auditors of the Bank until the next Annual Meeting. If the same two firms have been appointed for two consecutive years, one such firm shall not be appointed for a period of two years following the expiration of the term of its last appointment. The firms of Deloitte Haskins & Sells, Touche Ross & Co. and Price Waterhouse have held appointments on the foregoing basis during the five financial years ended October 31, 1989. Deloitte Haskins & Sells and Touche Ross & Co. have informed the Bank that they are currently planning to merge into one firm. The persons named in the appropriate enclosed Form of Proxy intend to vote for the reappointment of Touche Ross & Co. (served since 1980) and the appointment of Deloitte Haskins & Sells (last served in 1987) as Auditors of the Bank until the Annual Meeting of Common Shareholders to be held in 1991, provided such two firms have not merged into one firm before January 11, 1990, the date of this year's Annual and Special Meeting of Holders of Common Shares.

The persons named in the appropriate enclosed Form of Proxy intend to vote for the appointment of the new firm resulting from the merger of Deloitte Haskins & Sells and Touche Ross & Co. and for the reappointment of Price Waterhouse (served since 1988) as Auditors of the Bank until the Annual Meeting of Common Shareholders to be held in 1991, if Deloitte Haskins & Sells and Touche Ross & Co. have merged into one firm before January 11, 1990.

The persons named in the appropriate enclosed Form of Proxy intend to vote to fix the remuneration of the Auditors of the Bank at a sum not to exceed \$798,000 (1989 - \$695,000) to be divided between them.

In the event that Deloitte Haskins & Sells and Touche Ross & Co. merge on or after January 11,

1990, thereby creating a vacancy, it is expected that the directors of the Bank will fill such vacancy by the appointment of Price Waterhouse.

AMENDMENT TO BY-LAWS — REMUNERATION OF DIRECTORS

Section 1.1 of By-Law Two of the Bank now provides that a maximum amount of \$1,250,000 may be paid as Directors' Remuneration in each fiscal year. The figure was fixed by the holders of Common Shares of the Bank in January of 1986, and has remained unchanged since then. Given the increasing burden of responsibility which goes with membership of a board, given the growing scope and complexity of the Bank's business, given the greater number of committees of the Board of Directors of the Bank on which directors are called upon to sit and given the proposed revision of the Bank Act, it is now considered appropriate to effect an increase in fees payable to directors. Accordingly, at a meeting on December 5, 1989, the Board passed a resolution amending Section 1.1 of By-Law Two to provide for a maximum remuneration of \$1,650,000. It should be noted that the actual remuneration of each director is governed by such factors as actual attendance at meetings and membership or chairmanship of committees of the Board.

In accordance with the requirements of the Bank Act, the amendment must be confirmed by a Special Resolution passed at a meeting of the holders of Common Shares of the Bank by an affirmative vote of not less than two-thirds of the votes cast on the matter.

The Special Resolution which will be presented for consideration of the holders of Common Shares is as follows:

'UPON MOTION DULY PROPOSED AND
SECONDED, IT WAS RESOLVED BY SPECIAL
RESOLUTION:

THAT the following amendment to the By-Laws of the Bank passed by the Board of Directors on December 5, 1989 be and is hereby confirmed:

"THAT Section 1.1 of By-Law Two of the By-Laws of The Royal Bank of Canada be amended by deleting the figure of \$1,250,000 and substituting therefor the figure of \$1,650,000. Section 1.1 of By-Law Two shall as a result read as follows:

'In each year any sum not exceeding \$1,650,000 in aggregate may be paid to the directors as remuneration for their services as directors in such proportions as the directors may determine.' " "

CHANGE OF NAME

The Bank's complete legal name is currently "The Royal Bank of Canada" in the English form and "La Banque Royale du Canada" in the French form. Given that a common practice in the media, financial circles and in Canada at large has evolved whereby the Bank is referred to as "Royal Bank of Canada" and "Banque Royale du Canada", it is now considered appropriate, for greater consistency and brevity, to change the legal name of the Bank to reflect such common practice. Accordingly, at a meeting on December 5, 1989, the Board decided to submit to the holders of Common Shares of the Bank a resolution to authorize the Bank to make application to the Minister of Finance pursuant to the provisions of the Bank Act for approval of the change of the name of the Bank. In accordance with the requirements of the Bank Act, the change of name must be authorized by a Special Resolution passed at a meeting of the holders of Common Shares of the Bank by an affirmative vote of not less than two-thirds of the votes cast on the matter.

The Special Resolution which will be presented for consideration of the holders of Common Shares is as follows:

"UPON MOTION DULY PROPOSED AND SECONDED, IT WAS RESOLVED BY SPECIAL RESOLUTION THAT:

1. The change of the name of the Bank from "The Royal Bank of Canada" in the English form and "La Banque Royale du Canada" in the French form to "Royal Bank of Canada" and "Banque Royale du Canada", respectively, be approved to become effective as and from November 1, 1990, or such other date as may be approved by the directors of the Bank provided the approval of the Minister of Finance pursuant to the provisions of the Bank Act as provided for in paragraph 2 hereof has been obtained by such date;
2. The Bank be authorized and directed to make application to the Minister of Finance pursuant to the provisions of the Bank Act for approval of the change of the name of the Bank as provided for above, and the proper officers of the Bank be authorized to take such action and execute and deliver such documents and to do such things, all as may be necessary or desirable in connection with the foregoing, including the publication of notices of intention to make an application to the Minister of Finance pursuant to the Bank Act; and

3. The directors of the Bank be authorized to revoke this Special Resolution before it is acted upon."

CHANGES TO THE AUTHORIZED CAPITAL OF THE BANK AND TWO-FOR-ONE STOCK SPLIT OF OUTSTANDING COMMON SHARES OF THE BANK

The Bank's authorized capital as presently constituted limits the number of Common Shares, First Preferred Shares and Second Preferred Shares which may be issued, even though the Bank Act permits authorization of an unlimited number of such shares. The current limitations are 250,000,000 Common Shares and 50,000,000 for each of the First and Second Preferred Shares. As a related matter, there are also limitations on the maximum aggregate consideration for which each such class of shares can be issued, which are currently \$3,000,000,000 for the Common Shares and \$1,250,000,000 for each of the First and Second Preferred Shares. The limitations on the number of shares which can be issued are arbitrary and are unnecessary limitations on the authorized capital of the Bank. Increasing the number of shares in each class to an unlimited number, and increasing the maximum aggregate consideration for which such shares may be issued, will provide important and appropriate flexibility to the Bank in dealing with its capital structure. In addition, a two-for-one stock split of the outstanding Common Shares of the Bank is being proposed. Management believes that the lower price per Common Share resulting from the stock split will make the shares accessible to a broader range of investors.

Accordingly, on December 5, 1989, the Board of Directors of the Bank enacted Special By-Law A (1990) (the full text of which is reproduced as Appendix A hereinafter) which, subject to the approval of the holders of Common Shares, the approval of the holders of First Preferred Shares in certain respects and the approval of the Minister of Finance pursuant to the provisions of the Bank Act, will have the effect of changing the authorized capital of the Bank and effecting a two-for-one stock split of the outstanding Common Shares of the Bank.

The two-for-one stock split of the outstanding Common Shares of the Bank will take place upon the approval by the Minister of Finance pursuant to the provisions of the Bank Act of the changes to the authorized capital of the Bank, which is expected to be on or about, February 9, 1990. On November 7, 1989, the Bank had outstanding 143,337,360 Common Shares. These shares,

together with any additional Common Shares issued prior to the effective date of the stock split, will be subdivided on a two-for-one basis as indicated above. After the effective date of the subdivision of the Common Shares of the Bank, each certificate which theretofore represented one or more outstanding Common Share of the Bank will continue to represent the same number of Common Shares of the Bank and, in order to give effect to the subdivision, the Bank will issue to the holders of record on the date of such approval of the changes to the authorized capital of the Bank, additional certificates representing one Common Share for each outstanding Common Share held of record on such date. These additional share certificates will be mailed to shareholders as soon as practicable after the date of such approval of the changes to the authorized capital of the Bank. It follows that the then outstanding Common Share certificates should be retained by the holders thereof and should not be forwarded to the Bank or its Transfer Agent.

The changes to the authorized capital and the two-for-one stock split are without effect until confirmed by Special Resolution of the holders of Common Shares and approval by the Minister of Finance of the changes to the authorized capital. In addition, the changes to the authorized capital with respect to the First Preferred Shares of the Bank require the approval of the holders of the First Preferred Shares. The Special Resolution which will be presented for the approval of the holders of the Common Shares requires an affirmative vote of not less than two-thirds of the votes cast on the matter, by the holders of Common Shares, and is as follows:

“UPON MOTION DULY PROPOSED AND SECONDED, IT WAS RESOLVED BY SPECIAL RESOLUTION THAT:

1. The number of Common Shares of the Bank which may be issued be increased from 250,000,000 shares to an unlimited number of shares, all without nominal or par value, and that the maximum aggregate consideration for which such shares may be issued be increased from \$3,000,000,000 to \$10,000,000,000;
2. Subject to the approval of the holders of First Preferred Shares, the number of First Preferred Shares of the Bank which may be issued be increased from 50,000,000 shares to an unlimited number of shares, all without nominal or par value, and that the maximum aggregate consideration for which such shares may be issued be increased from \$1,250,000,000 to \$5,000,000,000;

3. The number of Second Preferred Shares of the Bank which may be issued be increased from 50,000,000 shares to an unlimited number of shares, all without nominal or par value, and that the maximum aggregate consideration for which such shares may be issued be increased from \$1,250,000,000 to \$5,000,000,000;

4. The issued and outstanding Common Shares of the Bank be subdivided on the basis of each such share being subdivided into two Common Shares of the Bank;

5. The authorized and issued capital of the Bank be changed in accordance with the foregoing, and that accordingly the by-law attached as Appendix A hereto [see Appendix A hereinafter], be and it hereby is confirmed as Special By-Law A (1990) of the Bank, such by-law to come into effect upon the approval of the Minister of Finance pursuant to the provisions of the Bank Act, provided however that if the confirmation by the holders of First Preferred Shares of clauses 1.1.2 and 1.2.2 of Special By-Law A (1990) is not received, such clauses shall be of no effect and shall be deleted therefrom and clauses 1.1.3 and 1.2.3 thereof shall be renumbered as clauses 1.1.2 and 1.2.2, respectively;

6. The Bank be and it hereby is authorized and directed to make application to the Minister of Finance pursuant to the provisions of the Bank Act for approval of the changes to the authorized capital of the Bank as provided for above;

7. The proper officers of the Bank be and they hereby are authorized to take such action and execute and deliver such documentation as may be necessary or desirable in connection with the foregoing; and

8. The directors of the Bank be authorized to revoke this Special Resolution before it is acted upon and, consequently, to revoke Special By-Law A (1990).”

The Bank Act provides that the changes to the authorized capital with respect to the First Preferred Shares are without effect until confirmed by Special Resolution of the holders of First Preferred Shares, voting separately as a class, and approved by the Minister of Finance. The Special Resolution which will be presented for the approval of the holders of First Preferred Shares requires an affirmative vote of not less than two-thirds of the votes cast on the matter by holders of First Preferred Shares, voting separately as a class, and is as follows:

“UPON MOTION DULY PROPOSED AND SECONDED, IT WAS RESOLVED BY SPECIAL RESOLUTION THAT:

1. The number of First Preferred Shares of the Bank which may be issued be increased from 50,000,000 shares to an unlimited number of shares, all without nominal or par value, and that the maximum aggregate consideration for which such shares may be issued be increased from \$1,250,000,000 to \$5,000,000,000;

2. Clauses 1.1.2 and 1.2.2 of Special By-Law A (1990), such by-law attached as Appendix A hereto [see Appendix A hereinafter], be and they hereby are confirmed, to be effective upon confirmation of Special By-Law A (1990) by the holders of Common Shares, and upon the approval of the Minister of Finance as provided for in the following paragraph;

3. The Bank be and it hereby is authorized and directed to make application to the Minister of Finance pursuant to the provisions of the Bank Act for approval of the changes to the authorized capital of the Bank as provided for above, and that the proper officers of the Bank be and they hereby are authorized to take such action and execute and deliver such documentation as may be necessary or desirable in connection with the foregoing; and

4. The directors of the Bank be authorized to revoke this Special Resolution before it is acted upon."

APPENDIX A

"SPECIAL BY-LAW A (1990)"

1.1 Increases in Authorized Capital

The authorized capital of the Bank consisting of 250,000,000 Common Shares without nominal or par value, 50,000,000 First Preferred Shares without nominal or par value, and 50,000,000 Second Preferred Shares without nominal or par value, is increased by:

- 1.1.1 the creation of an unlimited number of additional Common Shares and an increase of \$7,000,000,000 in the maximum aggregate consideration for which Common Shares may be issued;
- 1.1.2 the creation of an unlimited number of additional First Preferred Shares and an increase of \$3,750,000,000 in the maximum aggregate consideration for which First Preferred Shares may be issued; and

- 1.1.3 the creation of an unlimited number of additional Second Preferred Shares and an increase of \$3,750,000,000 in the maximum aggregate consideration for which Second Preferred Shares may be issued.

1.2 Authorized Capital

In accordance with the foregoing paragraph 1.1, the authorized capital of the Bank consists of:

- 1.2.1 an unlimited number of Common Shares without nominal or par value, which may be issued for a maximum aggregate consideration of \$10,000,000,000;
- 1.2.2 an unlimited number of First Preferred Shares without nominal or par value, which may be issued for a maximum aggregate consideration of \$5,000,000,000; and
- 1.2.3 an unlimited number of Second Preferred Shares without nominal or par value, which may be issued for a maximum aggregate consideration of \$5,000,000,000.

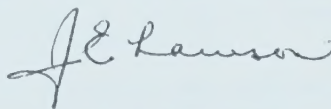
1.3 Subdivision of Outstanding Common Shares

The issued and outstanding Common Shares of the Bank are subdivided on the basis of each such share being subdivided into two Common Shares of the Bank.

Paragraph 1.1 of By-Law Three of the Bank and amending Special By-Law A (1982) of the Bank, are hereby repealed in their entirety and replaced by the foregoing, provided that for greater certainty such repeal and replacement shall have no effect on any act done or any right acquired, accruing, accrued or established under such repealed paragraph or by-law."

DIRECTORS' APPROVAL

The Board of Directors of the Bank has approved the contents and sending of this Management Proxy Circular.



J.E. Lawson
Vice-President & Secretary

DISCUSSION WITH CERTAIN SHAREHOLDERS REGARDING THIRD-WORLD DEBT

In October, four shareholder groups — The General Synod of the Anglican Church of Canada, 600 Jarvis St., Toronto, Ontario, M4Y 2J6; CONCACAN Inc., a corporate entity of the Canadian Conference of Catholic Bishops, 90 Parent Avenue, Ottawa, Ontario, K1N 7B1; The Pension Fund of the United Church of Canada, 85 St. Clair Ave. East, Toronto, Ontario, M4T 1M8; and the Sisters of Charity of St. Vincent de Paul (Halifax), 150 Bedford Highway, Halifax, Nova Scotia, B3M 3J5 — filed identical shareholder proposals with The Royal Bank of Canada, for inclusion in the Management Proxy Circular, and for shareholder consideration and vote at the Bank's Annual General Meeting of Shareholders in January 1990.

The proposal was on the subject of the Bank's position with regard to the debt crisis in the Third World, and contained two main points: (1) the acceptance by the Bank of the principle of debt reduction in some form as a necessary component of

any solution of the international debt crisis; (2) a commitment that such a concession would not rule out a continuing banking relationship with the country concerned.

After meeting with the Management of the Bank, and determining that there is a significant degree of agreement between them and the Bank, the filers of the proposals decided to withdraw them. It was agreed with the Management, however, that given the importance of the matter to the borrowing countries and to the shareholders of the Bank, the following two statements (from the Shareholders, and from the Management) should be made available to other shareholders for their information and consideration. Those wishing to make comments should respond to the Bank; to the churches concerned; or to the Taskforce on the Churches and Corporate Responsibility, 129 St. Clair Ave. W., Toronto, Ont., M4V 1N5.

STATEMENT OF THE CHURCHES

Church shareholders in The Royal Bank of Canada believe that share ownership implies responsibilities as well as rights. The expectation of a fair return on investment carries with it the responsibility to be informed concerning the Bank's policies and on occasion to share views with management.

In line with this belief in responsible shareholdership, the churches have met several times with senior officers of the Royal Bank, to discuss with them the subject of the debt crisis and economic stagnation now affecting developing countries, a situation which poses serious problems for the world economic system. It was to involve other shareholders in this discussion that the churches put forward the shareholder proposals described above.

In recent years, increased loan reserves and careful management by the Canadian banks have reduced the potential impact of defaults by major debtor countries on Canada's financial system. Nevertheless, Third World countries continue to suffer under a debt burden which inhibits their ability to achieve even a minimal standard of living. Canadian churches are acting in response to strongly worded statements of many church leaders in Latin America and the Caribbean. The theme of these statements is that external debt is a major factor contributing to the hardship suffered by ordinary people in their countries.

The churches realize that the debt crisis is only one factor in the problems affecting these countries. Moreover, loans extended by The Royal Bank of Canada — in fact the loans extended by all Canadian banks — represent for most countries a very small portion of their outstanding obligations. Nevertheless, as shareholders in the Royal Bank the churches are part of this problem. They believe they should, together with other shareholders and bank management, strive to be part of the solution.

STATEMENT OF THE BANK

The Management of the Bank has had detailed and constructive discussions on the problem of Third World Debt with representatives of Church groups — the kind of dialogue that invariably is mutually beneficial and always welcome.

Management is in full agreement with the Church representatives that the international community must continue to find ways of resolving the Third World debt problem in ways that help relieve poverty and misery in the debtor countries and help them return to creditworthiness.

The Bank is convinced that the most effective way for achieving that fundamental objective is through a voluntary case-by-case approach that rests on co-operation between the lesser developed countries (LDCs), banks, multilateral institutions (International Monetary Fund, World Bank, regional development banks), and governments of the industrial countries — as envisaged in the "Brady" Plan. We support the Brady Plan in principle, a plan that in concept has all the elements for resolving the LDC debt problem in the best interests of the debtor countries and the system as a whole — including *debt rescheduling, debt reduction, new funds, and appropriate domestic policies* in the debtor countries.

Management is also convinced that mandatory, across-the-board debt reduction or debt "forgiveness" would not simply destabilize the functioning of the international financial system but would do great harm to many developing countries by impairing their future access to financial markets. The Bank, from the beginning, has stressed the importance of choosing solutions to the debt problem that would enable it to continue into the future its long history of providing banking services to these developing countries.

It should also be pointed out that, contrary to impressions sometimes left in public discussions of the issue, The Royal Bank of Canada and the other

CHURCH STATEMENT (CONT.)

The churches acknowledge that the provision of reserves, while reducing earnings, has strengthened the Bank's balance sheet. It has been prudent management. It recognizes that some debt may be at best only partially collectible. However, such an action offers no relief to the debtor country until the loan is either written off or written down. The churches' proposal asked the Bank "to state its acceptance of the principle of debt reduction in some form as a necessary component of any solution of the international debt crisis".

Presently, the developing world is experiencing a net outflow of capital. Both realism and morality argue that this situation is not tenable in the long term. Each country's problem should be addressed through agreements which may include a significant reduction in the debt principal, rescheduling the balance on manageable terms, and a renewed flow of development assistance and foreign investment. While the Bank is not a charitable institution, the situation demands that concessions be made by all parties. (To this end, the churches have also urged the Canadian government to increase its contributions to the international financial institutions so that new resources can be made available.)

Earlier the churches were of the impression, reinforced by public reports, that the Bank was opposed to debt reduction on any terms. They therefore welcomed the assurance, made clear in a recent meeting, that the Bank is willing to consider debt reduction in certain circumstances. They recognize that the Bank's readiness to participate in the rescheduling of part of Mexico's debt in line with the Brady Proposal provides an example of its willingness to accept debt reduction in certain circumstances. This approach could lead to debt reductions in other situations, on a "case-by-case" basis. The Brady Proposal offers a number of options; the churches urge the Bank to show maximum flexibility in exercising these options in relation to other countries.

The Bank expressed strong opposition to mandatory

across-the-board debt reduction. The churches agree that voluntary participation by all parties in debt reduction negotiations is preferable. Voluntary participation leaves open all options for future relationships between the Bank and the countries concerned.

In this connection, the churches also asked the Bank to view concessions in the form of debt reduction as being "compatible with a continuing banking relationship with the country concerned". The Royal Bank has had a long and constructive history of participation in the development of many Latin American and Caribbean countries. It should not withdraw from that role. The churches strongly regret the growing tendency for institutions in the industrialized world to turn their back on the developing countries, leaving them to struggle with their massive economic problems unaided.

Most of the countries of Latin America and the Caribbean would welcome new investment from outside to spur their development; such investment should be beneficial in social and environmental as well as economic terms.

The Bank assured the churches it continues to have a strong commitment to work towards the economic recovery of the developing countries in which it operates, by providing banking services on a commercial basis. The churches were told that although the Bank is reducing its exposure to the developing countries by selling some of its loans at a discount, it maintains its links with the countries concerned and remains willing to provide trade credit. The churches will continue to urge the Bank to respond positively to proposals for ways in which it could contribute to their economic growth.

The churches and the Bank agreed that the best interests of the global community would be served by the return of the debtor countries to economic health and creditworthiness.

The churches appreciate the opportunity afforded by this statement to express their views. They look forward to ongoing dialogue with The Royal Bank of Canada on this important issue.

BANK STATEMENT (CONT.)

Canadian banks have for some time exhibited a flexible attitude and a willingness to make reasonable concessions in multi-lateral debt negotiations including the rescheduling of maturities of up to 20 years; the substantial reduction in interest rate margins on debt owed by the LDCs; the provision of new money to assist countries in refinancing their interest payments; the provision of trade credits to support development; the maintenance of foreign currency liquidity in the form of inter-bank lines and existing trade credits; and the elimination of various types of management fees.

All of these have helped to minimize the net transfer of funds out of such LDCs and have considerably cushioned the impact on their people of needed domestic policy adjustments.

In general, the Bank is prepared to accept *voluntary* debt reduction negotiated between debtor and creditor on a *case-by-case* basis when the quality of the remaining debt is sufficiently greater than the debt it

replaces, and when such debt reduction is conditional on the implementation of sound policies aimed at contributing to the sustainable economic and social development of the particular LDC and its return to economic health and creditworthiness.

The Bank has continued to provide trade financing to developing countries and in future would envisage carrying on with this activity, provided, of course, that economic conditions in those countries justify doing so. However, the Bank does not envisage engaging in medium-term balance of payments financing. It believes this type of financing must come from the international financial institutions such as the International Monetary Fund, World Bank and regional development banks.

These approaches and actions have been taken in the best interests of the shareholders and depositors of the Bank and, in our judgement, in the best interests of the debtor countries.